

Message Text

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TO AMEMBASSY TEL AVIV PRIORITY

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TAGS: ETRD, IS

SUBJECT: ISRAEL AND GSP: PROPOSED TEXT OF ISRAELI NOTE TO
PROVIDE ASSURANCES REQUIRED UNDER SECTION 502(B)3 OF THE
TRADE ACT

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REFS: (A) TEL AVIV 3390; (B) TEL AVIV 3713

(C) STATE A-3366

1. JUNE 24-27 CONSULTATIONS PRODUCED AGREEMENT ON U.S.

SIDE (CO-CHAIRLED BY SCHMIDT AND LANDE) THAT ASSURANCES CONTAINED IN FOLLOWING TEXT OF DRAFT ISRAELI NOTE WOULD BE ADEQUATE BASIS FOR SEEKING POSITIVE PRESIDENTIAL DECISION REQUIRED BY SECTION 502(A)1 OF THE ACT ON DESIGNATION OF ISRAEL AS BENEFICIARY UNDER U.S. GSP. NEDIVI, WHO CHAIRED ISRAELI DELEGATION, INDICATED THAT HE WOULD SUBMIT NOTE TO GOI WITH RECOMMENDATION FOR FEW IF ANY CHANGES IN TEXT. BEGIN TEXT:

2. QUOTE: THE MINISTRY FOR FOREIGN AFFAIRS PRESENTS ITS COMPLIMENTS TO THE EMBASSY OF THE UNITED STATES OF AMERICA AND REFERS TO THE JOINT STATEMENT ISSUED AT THE CONCLUSION OF THE MEETING OF THE U.S.-ISRAEL JOINT COMMITTEE FOR INVESTMENT AND TRADE ON MARCH 13, 1975, WHICH NOTED THAT THE COMMITTEE DISCUSSED THE PROVISIONS OF THE TRADE ACT OF

1974 CONCERNING THE GENERALIZED SYSTEM OF PREFERENCES AND AGREED THAT THE TWO GOVERNMENTS WOULD HOLD EARLY CONSULTATIONS WITH THE VIEW OF EXTENDING SUCH PREFERENCES TO ISRAEL, CONSISTENT WITH THE PROVISIONS OF THE ACT. THESE CONSULTATIONS WERE HELD IN WASHINGTON JUNE 24-27, 1975. AS A RESULT, THE MINISTRY HAS THE HONOR TO INFORM THE EMBASSY THAT THE FOLLOWING ASSURANCES ARE MADE TO THE GOVERNMENT OF THE UNITED STATES BY THE GOVERNMENT OF ISRAEL:

... (1) WITHIN ITS OVERALL PLAN FOR REDUCING MFN DUTIES AND WITH A VIEW TO ELIMINATING EXISTING PREFERENTIAL MARGINS AFFECTING U.S. EXPORTS TO ISRAEL THE GOI WILL REDUCE DUTIES AS INDICATED IN THE ENCLOSED LIST ON AN MFN BASIS ON OR BEFORE JANUARY 1, 1976.

... (2) IT IS THE FURTHER INTENTION OF THE GOI TO AVOID ANY FUTURE SIGNIFICANT ADVERSE EFFECTS ON U.S. EXPORTS TO ISRAEL WHICH MAY RESULT FROM THE MAY 11, 1975 EC-ISRAEL AGREEMENT. TO THIS END, AND BEARING ALSO IN MIND THE REQUIREMENTS SET FORTH IN SECTION 502(B)(3) OF LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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THE U.S. TRADE ACT OF 1974, THE GOI WILL REDUCE MFN DUTIES (AT LEAST FOR THE DURATION OF THE EXTENSION OF U.S. GSP TO ISRAEL) TO THE EXTENT PERMITTED BY THE MAY 11, 1975 EC-ISRAEL AGREEMENT ON ALL TARIFF ITEMS (8 DIGITS) APPEARING IN THE ENCLOSED LIST WHICH MEET THE FOLLOWING CRITERIA:

..... A) THE MFN DUTY EXTANT IS NOT LESS THAN 10.5 PERCENT. (THIS CRITERION IS SUBJECT TO JOINT REVIEW IN LIGHT OF ISRAELI DUTIES PREVAILING FROM 1980 ONWARDS.)

..... B) IMPORTS FROM THE U.S. IN THE MOST RECENT

CALENDAR YEAR FOR WHICH STATISTICS ARE AVAILABLE EXCEEDED 400,000 DOLLARS (BASED ON 8 DIGIT ISRAELI NOMENCLATURE IN EFFECT ON JULY 1, 1975). FOR THE PURPOSE OF MEETING THIS CRITERION, TWO OR MORE 8 DIGIT TARIFF ITEMS, GROUPED UNDER ONE 7 DIGIT HEADING, MAY BE CUMULATED IF SUCH 8 DIGIT ITEMS ARE SUBJECT TO IDENTICAL MFN DUTIES AND ARE SUBJECT TO UNIFORM RATES OF REDUCTION, IF ANY.

... C) THE EC SHARE OF TOTAL ISRAELI IMPORTS WAS AT LEAST 10 PERCENT DURING THE SAME PERIOD SPECIFIED IN THE ABOVE SUBPARAGRAPH.

THESE DUTY REDUCTIONS WILL BE IMPLEMENTED WITHIN 3 MONTHS AFTER PUBLICATION OF ISRAELI'S OFFICIAL IMPORT TRADE STATISTICS FOR THE PREVIOUS YEAR, BEGINNING WITH THE PUBLICATION OF OFFICIAL IMPORT TRADE STATISTICS FOR CALENDAR

YEAR 1976 AND EACH YEAR THEREAFTER.

... (3) MFN DUTIES ON ALL OTHER ITEMS WHICH MAY BE OF PARTICULAR INTEREST TO THE U.S. AND DO NOT QUALIFY FOR DUTY REDUCTIONS UNDER PARAGRAPH 2, ABOVE, WILL BE REDUCED IF U.S. TRADE IN SUCH ITEMS WOULD OTHERWISE BE SIGNIFICANTLY ADVERSELY AFFECTED.

THESE DUTY REDUCTIONS WILL BE IMPLEMENTED WITHIN 3 MONTHS OF PUBLICATION OF ISRAELI'S IMPORT TRADE STATISTICS OF THE PREVIOUS YEAR, BEGINNING WITH THE PUBLICATION OF OFFICIAL ISRAELI IMPORT TRADE STATISTICS FOR CALENDAR YEAR 1976
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AND EACH YEAR THEREAFTER.

... (4) IN ADDITION, JOINT REVIEWS WILL BE HELD, AT THE REQUEST OF EITHER COUNTRY TO CONSIDER ADDING OR REMOVING PRODUCTS FROM THE LIST. DISCUSSIONS WILL ALSO BE HELD AT THE REQUEST OF EITHER COUNTRY ON OTHER RELEVANT FACTORS SUCH AS THE INTERPRETATION OF THE ABOVE MENTIONED REQUIREMENTS OF TITLE V OF THE TRADE ACT OF 1974, AND INFLATIONARY EFFECTS ON THE ABOVE MENTIONED CRITERIA.

... (5) IT IS THE UNDERSTANDING OF THE GOI THAT NO MFN DUTY REDUCTIONS MADE BY ISRAEL IN THIS CONTEXT WILL ADVERSELY AFFECT THE ISRAELI BARGAINING POSITION VIS-A-VIS THE U.S. IN THE MTN. END QUOTE. END TEXT.

3. ACTION REQUESTED: EMBASSY REQUESTED TO PASS COPY OF TEXT TO NEDIVI AS SOON AS THIS CAN BE ARRANGED. EMBASSY SHOULD INDICATE THAT PRESENT TEXT (TOGETHER WITH AGREED PRODUCT LIST AND SCHEDULED INITIAL TARIFF CUTS) WILL REPRESENT SUFFICIENT ASSURANCE TO ALLOW U.S. TO PROCEED

IN SEEKING POSITIVE DECISION ON INCLUSION OF ISRAEL UNDER GSP. (NEDIVI IS AWARE THAT PRESIDENTIAL DECISION REQUIRED AND THAT U.S. COMMITMENT TO ACCEPTANCE OF ASSURANCES NECESSARILY SUBJECT TO SUCH DECISION.) EMBASSY SHOULD ALSO SEEK UNDERSTANDING FROM NEDIVI THAT WE WILL BE GIVEN OPPORTUNITY TO DISCUSS IN ADVANCE ANY SUBSTANTIVE CHANGES GOI MAY PLAN TO MAKE IN PROPOSED NOTE (WE WOULD PREFER THERE BE NONE). ALTHOUGH U.S. HAS AGREED TO SPELLING OUT IN NOTE GOI'S UNDERSTANDING RE U.S. UNDERTAKING WITH RESPECT TO MTN, WE WANT AGREEMENT THAT PUBLICITY CONCERNING LANGUAGE OF NOTE WILL BE HELD TO MINIMUM.FYI (U.S. SIDE MADE CLEAR IN COURSE OF CONSULTATIONS THAT U.S. WOULD NOT PAY GOI FOR UNBOUND TARIFF REDUCTIONS UNDERTAKEN TO QUALIFY FOR GSP.) END FYI.

4. NEDIVI ALSO STATED THAT HE WOULD SEEK SYMPATHETIC CONSIDERATION WITHIN GOI FOR CERTAIN ADDITIONAL TARIFF

CUTS TO BE UNDERTAKEN AS PART OF THE REDUCTIONS REFERRED TO IN PARA 1 OF THE NOTE. USG SEEKS SUCH CONSIDERATION FOR FOLLOWING TARIFF HEADINGS: 38.19.9910, 39.01.1099, LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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73.10.1014, 85.21.1010, 87.07.1018, AND 48.01.9990. EMBASSY WILL NOTE THAT FIRST FIVE OF ABOVE TARIFF ITEMS DO NOT APPEAR ON LIST POUCHED TO EMBASSY REF (C). IN LIGHT OF ISRAELI TRADE STATISTICS ON TARIFF LINE BASIS RECEIVED IN WASHINGTON ONE WEEK PRIOR TO CONSULTATIONS, THESE FIVE ITEMS WERE ADDED BY MUTUAL AGREEMENT TO PRODUCT LIST USED FOR PURPOSES OF CONSULTATIONS (AND REFERRED TO IN PARAS 1 AND 2 OF DRAFT NOTE). BECAUSE ABOVE FIVE ITEMS WERE NOT SHOWN ON ORIGINAL PRODUCT LIST, NEDIVI DID NOT HAVE AUTHORITY TO OFFER CUTS WHILE IN WASHINGTON, THEREFORE DELAYING FURTHER CONSIDERATION PENDING NEDIVI'S RETURN TO ISRAEL. LAST ITEM ABOVE (48.01.9990) WAS CONTAINED IN ORIGINAL LIST BUT NO OFFER OF TARIFF REDUCTION WAS MADE BY GOI. WE ASKED FURTHER CONSIDERATION ON THIS ITEM IN VIEW OF HIGH MFN DUTY (45 PERCENT), HIGH TRADE (4.1 MILLION DOLLARS FROM U.S., 1974) AND FACT THAT EC DUTY WILL BE 27 PERCENT ON JANUARY 1, 1976.

5. U.S. REQUESTED ADDITION OF ONE AGRICULTURAL ITEM NO. 24.02.1000 (MANUFACTURED TOBACCO/CIGARETTES) WHICH CAME TO U.S. ATTENTION AT CLOSE OF CONSULTATIONS. U.S. REQUEST DID NOT ELICIT IMMEDIATE RESPONSE. SUBSEQUENT DISCUSSIONS BETWEEN USDA REP AND NEDIVI INDICATED ONLY THAT THIS ITEM WOULD BE TAKEN UNDER SYMPATHETIC CONSIDERATION BY GOI. NEDIVI SAID HE WAS UNABLE TO SAY MORE AT THE TIME SINCE QUESTION OF INCLUDING TOBACCO/CIGARETTES ITEM WAS NEW AND IS NOT UNDER JURISDICTION OF HIS MINISTRY BUT RATHER UNDER MINISTRY OF AGRICULTURE. SINCE THIS NEW

ITEM MEETS CRITERIA USED IN PREPARATION OF PRODUCT LIST
SUPPLIED TO GOI AT BEGINNING OF CONSULTATIONS AND ALSO
FITS CRITERIA ESTABLISHED IN PARA 2 OF TEXT (AND DOES NOT
REQUIRE TARIFF REDUCTION UNTIL 1977), THERE IS IN OUR VIEW
STRONG ARGUMENT FOR ITS INCLUSION IN FINAL PRODUCT LIST.

6. ACTION REQUESTED: EMBASSY REQUESTED TO USE BEST
EFFORTS TO SECURE GOI AGREEMENT TO ADDED COMMITMENTS TO
MFN TARIFF REDUCTIONS OUTLINED IN PARA 4 ABOVE AND TO
MAINTAIN AGRICULTURAL ITEM DESCRIBED PARA 5 ON FINAL
PRODUCT LIST.

7. COPY OF PRODUCT LIST (TO WHICH WE HAVE ADDED AT END OF
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LIST ITEM 24.02.1000 DESCRIBED IN PARA 5 ABOVE) WILL
BE GIVEN TO ECONOMIC COUNSELOR DOZIER WHEN HE VISITS
WASHINGTON EN ROUTE TO TEL AVIV.

8. COMMENT: PROPOSED TEXT INCORPORATES THREE CHANGES
(INCLUDING REFERENCE TO MTN) RELAYED BY ISRAELI EMBASSY
AFTER NEDIVI'S DEPARTURE. EMBASSY MAY MAKE POINT THAT
NEDIVI HAD INDICATED GENERAL ACCEPTABILITY OF DRAFT EVEN
BEFORE THESE CHANGES -- IN UNLIKELY EVENT THAT EFFORT IS
MADE TO REOPEN ISSUES TREATED IN TEXT. INGERSOLL

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